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SIPDIS

TREASURY FOR OASIA/MDM:JFRANCO AND DDOUGLASS
STATE FOR EB/IFD/OMA:LGALLAGHER
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TAGS: [EFIN](#) [EAID](#) [HO](#)

SUBJECT: HONDURAS: TRANSPARENCY OF BUDGETS/MILITARY SPENDING

REF: State 239929

[1](#)1. The following answers are keyed to the questions in reftel:

[1](#)A. General Overview of Auditing Procedures:

1,2,3,4: Responsibility for auditing Honduran military expenditures lies with a civilian Auditor who is named by the President and works for the Ministry of Defense (MOD). Underneath him works the Paymaster, who is also a civilian.

Each branch of the military service (Army, Navy, and Air Force) has its own Paymaster section, and within each there is an Audit Department responsible for continuously auditing all its expenditures. The MOD's Paymaster then audits the services' reports and reports to the MOD's Auditor who has overall responsibility. Once all internal auditing is complete, the MOD is responsible for reporting findings to the President. Usually this is done at the end of the calendar year.

Additionally, the Supreme Court of Accounts (Tribunal Superior de Cuentas or TSC, a national hybrid general accounting and public ethics office established in 2002), is nominally responsible for conducting audits of all government ministries, including the MOD.

[1](#)5. Yes; auditing is done continuously. All subordinate elements must present an expenditure report (with purchase receipts) on a monthly basis. If not provided, funds for the following month will not be allocated. Each service has an account with the Central Bank; no cash is handled at the service level. If a purchase is required, an order is generated to request a check from the Central Bank; these purchases are matched against existing budget lines, and appropriate deductions are made. Once receipts are provided, the Central Bank provides the checks. Generally the services' paymaster's offices have established relations with several civilian providers who provide required items on a credit basis.

[1](#)6. As described above, Post believes that Honduras does indeed have a "functioning system for reporting audits of military expenditures to civilian authorities," which is established by law. The only problem identified with the procedures is the turnaround time that the services must wait to receive checks from the Central Bank in order to pay their creditors. This delay exists as a result of the way the system is currently organized and does not represent a lack of transparency or indicate any intentional unwillingness to be transparent on military expenditures.

[1](#)B. The Military Budget and On-budget and Off-budget Revenues and Expenses

[1](#)1. The country's defense budget includes only the military. The budget for the National Police is the responsibility of the Ministry of Public Security.

[1](#)2. If a contingency arises which would require off-budget military spending (participation in Iraq or Haiti, response to a natural disaster, etc.), the MOD can request additional funding from Congress. If approved by Congress, these additional expenditures would be audited in the manner described above.

[1](#)C. The Military Component of the National Budget

[1](#)1. Yes. In 2003 the MOD's budget comprised 2.7 percent of the national budget, and 0.8 percent of GDP. By contrast, the Ministries of Education and Health received a combined 42 percent of the national budget, or 12 percent of GDP.

[1](#)2. Yes. Preparation of the military's budget begins with each service chief, who is responsible for formulating his service's respective budget. The MOD then approves the proposed budgets, consolidates them, and submits them to Congress for final approval. Once Congress approves all ministries' budgets, it formulates the National Budget. Congress is expected to approve the 2005 National Budget on or about December 13.

